

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7221

BILL NUMBER: HB 2108

DATE PREPARED: Mar 1, 2001

BILL AMENDED: Feb 14, 2001

SUBJECT: College Savings Tax Deduction.

FISCAL ANALYST: Chuck Mayfield

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill exempts distributions from an Indiana family college savings account used to pay qualified higher education expenses from the Indiana adjusted gross income tax.

Effective Date: January 1, 2002.

Explanation of State Expenditures: The Department of State Revenue (DOR) may have additional administrative expenses to revise tax forms, instructions, and computer programs to accommodate this exemption. These expenses will be covered under the Department's existing budget.

Explanation of State Revenues: (Revised) The bill also exempts distributions from the Indiana College Savings Account used to pay qualified higher education expenditures from the Indiana Adjusted Gross Income Tax. The impact would depend on how much is withdrawn annually. The revenue loss would be 3.4% of interest earned on the account. The impact is expected to be minimal. The interest earning portion of money withdrawn from the College Savings Plan for FY 2000 was about \$32,500. The loss of revenue would have been \$1,105.

Individual Adjusted Gross Income Tax revenue is deposited in the General Fund.

Background: The Indiana Board for Depositories reports that about 5,444 Family College Savings Accounts have been established to date. Of these accounts, 606 were established in CY 1997, 1,963 in CY 1998, 1,304 in CY 1999, and 1,571 in CY 2000. The Board estimates that 85% of these accounts are held by Indiana residents.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue, Indiana Education Savings Authority.

Local Agencies Affected:

Information Sources: Susan Loftus, Indiana Board of Depositories, 317-232-5259.